

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /056 R

DRAFTED BY NEA/PAB:DCUNNINGHAM:MRC

APPROVED BY NEA:ALATHERTON, JR.

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P 272221Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY DACCA PRIORITY

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E.O. 11652:N/A

TAGS: EAID, EFIN, IMF, US, BG

SUBJECT: BDG REQUEST FOR BUDGET SUPPORT

REF: DACCA 300

JOINT STATE/AID MESSAGE

1. YOUR RESPONSE TO PLANNING SECRETARY SYEDUZZAMAN'S APPROACH REGARDING BUDGET SUPPORT WAS EXACTLY ON TARGET. WE UNDERSTAND THAT THE BDG DECISION TO RAISE THE RATION PRICE OF FOODGRAIN WAS A POLITICALLY COURAGEOUS ONE WHICH NO OTHER BANGALEE GOVERNMENT FELT ABLE TO TAKE. NONETHELESS, THE PRICE WAS NOT RAISED ENOUGH TO MAKE REAL ECONOMIC IMPACT.

2. PLEASE INFORM SYEDUZZAMAN THAT THE USG WILL NOT BE LIMITED OFFICIAL USE

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ABLE TO PROVIDE THE REQUESTED DOLS 50 MILLION BUDGET

SUPPORT. CONGRESS HAS ALLOCATED NO FUNDS TO AID FOR LARGE SCALE BUDGET SUPPORT OR FOR COMMODITY PROGRAMS DESIGNED TO PROVIDE BUDGET SUPPORT EXCEPT FOR THOSE COUNTRIES IN WHICH US NATIONAL SECURITY INTERESTS ARE CLEARLY INVOLVED, AS IN THE MIDDLE EAST. THESE SECURITY SUPPORTING ASSISTANCE PROGRAMS ARE SPECIFICALLY LEGISLATED BY CONGRESS.

3. SHOULD THE BDG SUGGEST CONCEALING ADDITIONAL AID UNDER THE GUISE OF INCREASED PL 480 ALLOCATIONS, YOU SHOULD RESPOND NEGATIVELY SINCE AT PRESENT SUCH INCREASES WOULD NOT BE JUSTIFIED. AS YOU HAVE ALREADY POINTED OUT TO SYEDUZZAMAN, THE LEVEL OF OUR ASSISTANCE TO BANGLADESH IS VERY HIGH; WE ESTIMATE THAT THE LEVEL OF THIS YEAR'S PL 480 PROGRAM THERE WILL AGAIN BE THE HIGHEST IN THE WORLD.

4. WHILE CONVEYING THE FOREGOING TO SYEDUZZAMAN, PLEASE REITERATE OUR SATISFACTION OVER MANY OF THE MEASURES TAKEN BY THE BDG BEGINNING IN MAY TO STABILIZE THE ECONOMY, AND OUR HOPE THAT IT WILL CONTINUE TO PURSUE THE AGREEMENTS REACHED WITH THE IMF. WE WILL ALSO LOOK FORWARD TO A REVIEW OF THE BDG'S BUDGETARY SITUATION WITH OTHER DONORS AT THE SPRING AID GROUP MEETING IN THE CONTEXT OF THE COUNTRY'S NATIONAL ECONOMIC POLICIES. KISSINGER

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